



LAURA N. CHICK
INSPECTOR GENERAL

STATE OF CALIFORNIA
OFFICE OF THE INSPECTOR GENERAL
AMERICAN RECOVERY ACT FUNDS

Transmitted via e-mail

April 1, 2010

Mr. Paul G. Lake, Acting Director
Sacramento County Department of Human Assistance
2433 Marconi Avenue
Sacramento, CA 95821

Dear Mr. Lake:

Final Report—Sacramento County Department of Human Assistance, Temporary Assistance for Needy Families, Emergency Contingency Fund Review

The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act (ARRA) reviewed the Department of Human Assistance's (Department) ARRA funds received for the Temporary Assistance for Needy Families, Emergency Contingency Fund (ECF).

Scope

The IG conducted a review of the Department's ARRA funds advanced for the ECF subsidized employment program in the amount of \$1,236,771. For the review period July 1, 2009 through December 31, 2009, the Department reported \$959,870 in ARRA expenditures. The review's objectives were to determine if the Department properly accounted for and used ARRA funds in accordance with ARRA requirements and applicable laws and regulations.

The Department's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and program requirements as well as evaluating the efficiency and effectiveness of the program. Unless identified during our review of ARRA funds, we did not assess the efficiency or effectiveness of program operations.

Methodology

The Department's accounting records and supporting documents were reviewed to determine if ARRA funds were properly accounted for and expended. Costs allocated to the ECF subsidized employment program and the allocation method were reviewed for propriety and reasonableness. To determine whether revenues and expenditures complied with applicable laws and regulations, the following procedures were performed:

- Interviewed key personnel and reviewed applicable policies and procedures to gain an understanding of program-related internal controls.
- Selected a sample of expenditures reported to determine if they were:
 - Allowable
 - Program related
 - Incurred within the reporting period
 - Adequately supported
 - Properly recorded
 - Not reimbursed by another funding source

- Reviewed revenues to determine if they were properly recorded and supported.

Summary of Review

ARRA funds received by the Department were used to implement the Job Opportunity Program, a new program for eligible California Work Opportunities and Responsibilities to Kids (CalWORKs) participants. The purpose of the program is to promote employment of skilled CalWORKs participants who are unemployed or underemployed.

Errors were identified with the Department's accounting and reporting of ARRA expenditures. IG staff identified \$849,573 in non-administrative costs that were incorrectly reported as administrative costs. Included in the amount was \$28,740 in personnel costs that was incorrectly coded and reported as wage subsidies costs. Further, IG staff identified 646 hours erroneously charged to the ECF short-term non-recurring benefits program.

Review Results

Department Incorrectly Reported \$849,573 as Administrative Costs

The Department reported all ARRA expenditures as administrative costs. The IG staff identified that the Department miscoded and reported \$849,573 in non-administrative costs as administrative costs. Per the Department, they misinterpreted the claiming instructions provided in CDSS' County Fiscal Letter (CFL) 09/10-32, Final Claiming Instructions for Temporary Assistance for Needy Families Emergency Contingency Fund. Therefore, the Department recorded expenditures using program codes established for administrative costs for all ARRA expenditures. CFL 09/10-32 specifically states that the counties must identify and claim administrative and non-administrative costs separately. Identified non-administrative costs consisted of:

- \$786,103 in salary costs for staff time charged to the ARRA program
- \$35,000 in allocated EDP costs charged to the ARRA program
- \$28,470 in direct costs charged to the ARRA program (see related observation below)

Department Incorrectly Reported \$28,470 as Wage Subsidies Costs

The Department incorrectly coded \$28,470 in contracted services under the program identification number for wage subsidies costs on the second quarter County Expense Claim. The amount was salary costs for an employee contracted through the Sacramento Housing and Redevelopment Agency.

Time Study Hours Erroneously Included in Total Hours

The Department erroneously included 646 hours charged to the ECF short-term non-recurring benefits program in total time study hours for the ECF subsidized employment program. Proper reporting of total time study hours is essential to ensure equitable and proportionate cost distribution to the ARRA program. Further, the State has not yet been awarded ARRA funds for the ECF short-term non-recurring benefits category. Therefore, the Department should not have reported ECF short-term non-recurring benefits costs as ARRA expenditures.

Conclusion

Inaccurate financial reporting affects the Department's ability to maintain proper accountability of government funds and control program costs. The Department should work with California Department

of Social Services to correct the noted observations above to ensure accurate financial reporting of ARRA expenditures.

The Department's response has been included in this report. In accordance with the Inspector General's policy of increased transparency, the final report will be placed on our website, <http://www.inspectorgeneral.ca.gov>.

We appreciate the assistance and cooperation of the Department. If you have any questions regarding this report, please contact, Penny Krueger, Supervisor, at (916) 322-3003.

Sincerely,

A handwritten signature in black ink that reads "Laura N. Chick". The signature is written in a cursive, flowing style.

Laura N. Chick, Inspector General
State of California, American Recovery and Reinvestment Act Funds

cc: Ms. Patri Lawson, Deputy Director (A), Department of Human Assistance
Mr. Dan Kim, Deputy Director, Department of Human Assistance
Ms. Mary R. Sabillo, Division Manager, Welfare to Work and Foster Care, Department of Human Assistance
Mr. John A. Wagner, Director, Department of Social Services
Ms. Cynthia Fair, Chief, Information Security and Audits, Department of Social Services
Mr. Pat Fitzgerald, Assistant Branch Manager, Estimates and Research Services Branch, Department of Social Services
Ms. Julie Valverde, Assistant Sacramento County Auditor

Countywide Services Agency

**Department of
Human Assistance**

Paul G. Lake, Acting Director
Daniel Kim, Deputy Director
Debra J. Morrow, Acting Deputy
Director
Patri Lawson, Acting Deputy
Director



County of Sacramento

Steven Szalay, Interim County
Executive
Bruce Wagstaff, Interim
Administrator

March 29, 2010

Transmitted via e-mail

Ms. Laura N. Chick, Inspector General
State of California
American Recovery and Reinvestment Act
1400 10th Street
Sacramento, CA 95814

Dear Ms. Chick:

Management response to OIG Review of TANF-ECF on Subsidized Employment

The Department of Human Assistance acknowledges that, in the first and second quarters of the Fiscal Year 2009-10, County Expense Claim (CEC), some costs were miscoded as TANF-ECF administrative expenses (PIN 874) when they should have been coded as TANF-ECF non-administrative expenses (PIN 875).

The Department has identified and separated out the first and second quarter claims, the miscoded non-administrative time study hours and related salary costs of \$786,103 for time charged to the ARRA program. Also, the amount for contracted services of \$28,470 incorrectly charged as wage subsidies will be moved to the appropriate code.

The amounts inadvertently claimed under the administrative code (PIN 874) for the first quarter will be transferred to the non-administrative code (PIN 875) on the revised claim, which the Department will submit no later than June 2010. Furthermore, the Department has been working together with the Fiscal Systems unit of the California Department of Social Services (CDSS) to make adjustments relating to the second quarter CEC claim on the audited version, which is still in progress. Once these corrections occur, the electronic data processing (EDP) costs usually allocated in the CEC claiming process based on case counts will automatically and correctly be charged against the appropriate program codes. The Department further notes that this inadvertent coding error has no fiscal implications, as all these miscoded costs are legitimate, reimbursable and claimed against the same TANF-ECF fund source.

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The Department also acknowledges that 646 hours time studied to TANF-ECF Non-Recurring Short-Term Benefits were inadvertently claimed as TANF-ECF Subsidized Employment. The Department has also contacted CDSS to adjust the hours and the associated expenditure to Non-Welfare on our second quarter audited claim. These hours will be re-claimed as soon as the State's application for TANF-ECF Non-Recurring Short-Term Benefits is approved, and Counties receive relevant pin codes and State direction to appropriately claim these costs.

Sincerely,



Paul G. Lake, Acting Director

cc: Mr. John A. Wagner, Director, Department of Social Services
Ms. Cynthia Fair, Chief, Information Security and Audits, Department of Social Services
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Review of Response

The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act Funds issued a draft review report to the Department of Human Assistance's (Department) on March 16, 2010. We received the Department's response to that report on March 29, 2010.

The Department agreed with our review results and we appreciate their willingness to implement corrective actions.